



Recommendations for Business Recruitment

A Market Research Report

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Caveat

The following market research report was performed as a part of the MBA course of studies at Southern Connecticut State University (SCSU) in New Haven, Connecticut. Although the contents of this report are believed to be reliable, the students, instructor, Southern Connecticut State University and the State of Connecticut are in no way responsible for managerial actions taken by Main Street Middletown based on the information herein. The purpose of this research effort must be viewed as a learning experience for the SCSU students. A professional market research firm should validate interesting findings and conclusions.

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Management Summary

In carrying out this project, we have worked under the guidance of Barbara Goodrich, Downtown Manager, for Main Street Middletown Inc. and Mark Spence, Ph.D. Associate Professor of Marketing for Southern Connecticut State University. Barbara's goal is to develop a *Marketing and Business Development Plan* for downtown Middletown, Connecticut that will ultimately be used to guide the organizations business retention and recruitment activities. These activities include improving the business climate of Main Street for existing businesses, lowering the vacancy rate, improving the retail mix, and in general promoting downtown Middletown as a good place to do business.

Our purpose was to assist Barbara in this effort by, upon completion of our research activities, making recommendations as to what types of businesses Main Street Middletown should seek to recruit and why. In order to accomplish our goal we first set specific objectives, which included:

- Developing a business "snapshot" of today's downtown Middletown
- Assessing whether these existing businesses were adequately meeting the potential demand for various categories of goods and services
- Finding out how visitors to Main Street felt about the downtown area including what they liked, disliked, needed and desired

Based on conclusions drawn from the findings above we are able to make recommendations to Barbara and her organization as to which types of businesses they should attempt to recruit and to give our reasons why. Our suggestions for potential types of businesses to recruit are as follows:

- Higher end eating and drinking establishments based on the *Business Cluster Analysis* which shows a predominance at the middle to low end and the *Sales Gap Analysis* which indicates these SIC categories may be underserved
- Late night eateries, ethnic restaurants and ice cream parlors likely supported by the high numbers of students from nearby Wesleyan University, shift workers employed at Middlesex Hospital and also by the increasing number of visitors to Main Street as a result of the new movie theater in the area
- Upscale home furnishings stores and apparel and accessories stores, again given cluster and sales gap findings similar to those noted above

- Businesses that would appeal to large populations of college students in general and those types requested in the *Consumer Intercept Survey*, including bookstores, ethnic restaurants, nightclubs, cafes and specialty clothing stores
- Retailers offering unique goods that would appeal to the middle and upper income shoppers likely working for large downtown employers such as Middlesex Hospital and local insurance companies
- A supermarket and major drug chain to anchor the downtown area and satisfy a major sales gap in the food for consumption at home market and a need for discount health and beauty aids
- Finally, at least some lower price point businesses given the towns income demographics and to balance out the overall existing business clusters

Introduction

This study was undertaken to fulfill a graduation requirement of the MBA program at Southern Connecticut State University. Specifically, students are required to institute a social responsibility project, focusing on the economic or social development within or for, a non-profit or community organization. We chose to work with Barbara Goodrich, Downtown Manager, for the organization *Main Street Middletown, Inc.* Barbara oversees this non-profit organization's goal of the revitalization of downtown Middletown using the *National Main Street* approach. She faces the challenge of developing a Marketing and Business Development plan for downtown Middletown and our goal is to assist her in this effort by analyzing data related to business recruitment.

We initially met with Barbara in June to get an overall view of what she wanted to accomplish. Subsequently she presented us with a varied collection of raw data that needed to be expanded upon and then pulled together before any reasonable conclusions could be reached. In addition to the original information Barbara presented to us, we obtained data from various local, state and federal governmental agencies and conducted some on site observations of our own.

After reading our report, Barbara and her organization should be better able to put together a strategy to, not only recruit new businesses to fill gaps in the market but, to also help existing businesses take advantage of market opportunities that we have identified.

Objectives

Our objective is to develop a business "snapshot" of Main Street in Middletown, CT today, and to make recommendations as to what types of businesses the non-profit organization Main Street Middletown should attempt to recruit and why.

Specific objectives include:

- Determine what types of business are located in downtown Middletown now and at what price points
- Assess whether demand for various goods and services is being met by existing businesses and summarize these sales opportunities
- Analyze consumer habits of current visitors to Main Street using information from an intercept survey
- Make recommendations as to which types of businesses should be recruited based on the above analysis and give reasons why

Methodology

In producing this report, we essentially followed a formula recommended by the National Main Street Center of the National Trust for Historic Preservation. This group provides a blueprint for the revitalization of downtown business areas that have often seen their retail core lost to suburban malls. The National Main Street Center calls for an active strategy to attract distinct types of businesses for specific types of consumers. As a preface to putting together a business development strategy they suggest first conducting a retail market analysis consisting of three basic steps:

What is the District's Current Condition?

What Major Opportunities Exist?

What Do Customers Want?

In performing a retail market analysis for Main Street in Middletown we utilized several sets of data, which were either provided by Barbara Goodrich of the organization Main Street Middletown, or obtained from local, state and national government agencies. This data included a survey of Main Street Middletown's current business clusters, a consumer intercept survey, and various census, consumer expenditure, and retail sales figures.

Business Cluster Analysis

The data given to us by Barbara Goodrich consisted of a listing and accompanying map of most all the business's located on or adjacent to Main Street (appendix G). Based on both a first hand survey and an inherent knowledge of certain types of businesses we were able to rate each one as to whether they offered goods or services at a low, medium or high price points. We then plotted each business on a graph, aligning it within its industry group and approximate price-point range. A horizontal cluster would tell us which business categories Main Street is currently strong in and a vertical cluster would indicate which price points are most prevalent.

Sales Gap Analysis

In order to determine business opportunities we took a look at market demand for various products and services and figured out how much of that demand was or was not currently being met by existing businesses.

Utilizing figures from the *1990 Census of Population and Housing* (appendix B) we first established the number of households in Middletown at various income levels, household sizes and ages of persons in each household. We then multiplied these numbers of households by the typical sales per household for various retail goods and services categories as determined by the *1996-1997 Consumer Expenditure Survey* (appendix C). The product of these figures gave us the potential sales for the various breakdowns. Finally, we obtained actual retail sales from either the *State of CT Retail Sales by Town, Type of Business* (appendix D) or the *1992 Census of Retail Trade* (appendix E) and *1992 Census of Service Industries* (appendix F). These actual retail and service sales figures were then subtracted from the potential sales, giving us a sales gap across several Standard Industrial Classification (SIC) categories. A positive sales gap number indicated demand that was not being met in a particular SIC category. A negative figure would indicate actual sales were exceeding expected potential sales and thus a potentially saturated market for particular goods or services (appendix H).

Customer Intercept Survey

We used a consumer intercept survey developed by the Economic Restructuring Committee of Main Street Middletown to gauge the customers buying habits and overall view of downtown (appendix I). Students from Wesleyan University conducted this survey in November and December of 1998. Questions were asked in various areas of downtown, at different times during the day, and on different days of the week. The purpose of the survey was to get an idea of how shoppers felt about the downtown environment in general, where they most often shopped and what types of new businesses they would like to see in the Main Street area.

Findings

Main Street Middletown's Current Conditions

Business Cluster Analysis	(Table 5-1)
Business Cluster Analysis	(Chart 5-1)
Business Cluster Analysis	(Chart 5-2)

What Business Opportunities Exist

Sales Gap Analysis	(Table 5-2)
Sales Gap Analysis	(Chart 5-3)

What do the Consumers Want?

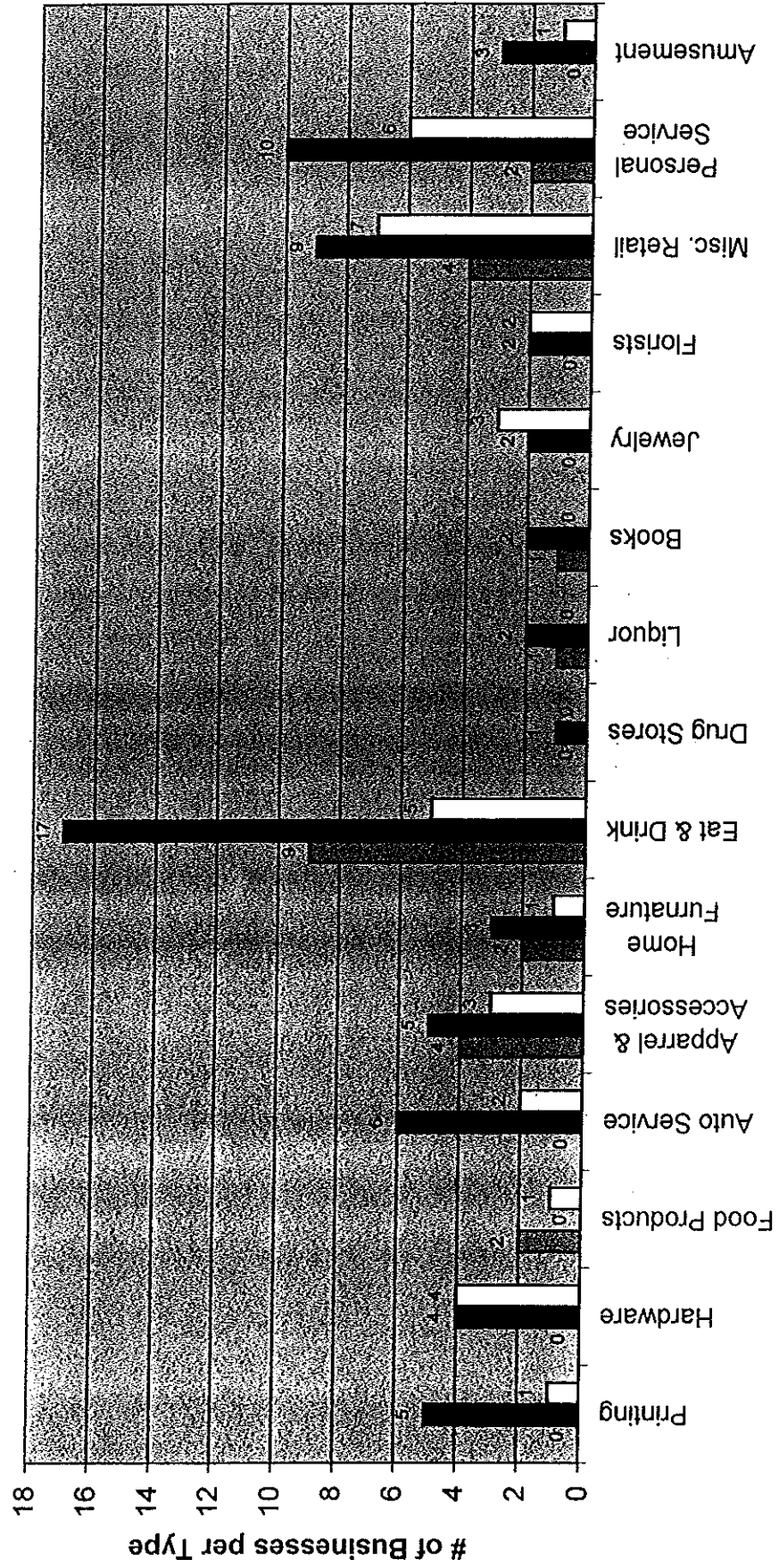
Consumer Intercept Survey	(Table 5-6) Analysis Overview
Consumer Intercept Survey	(Chart 5-4) Analysis Overview
Consumer Intercept Survey	(Table 5-7) Frequency of Visits
Consumer Intercept Survey	(Chart 5-5) Frequency of Visits
Consumer Intercept Survey	(Chart 5-6) Frequency of Visits
Consumer Intercept Survey	(Table 5-8) Business Types Visited
Consumer Intercept Survey	(Chart 5-7) Business Types Visited
Consumer Intercept Survey	(Chart 5-8) Business Types Visited
Consumer Intercept Survey	(Table 5-9) Overall Impression
Consumer Intercept Survey	(Chart 5-9) Overall Impression
Consumer Intercept Survey	(Chart 5-10) Overall Impression
Consumer Intercept Survey	(Table 5-10) Business Types Requested
Consumer Intercept Survey	(Chart 5-11) Business Types Requested

Business Cluster Analysis

Business Types	Price Points		
	Low	Medium	High
Printing	0	5	1
Hardware	0	4	4
Food Products	2	0	1
Auto Service	0	6	2
Apparel & Accessories	4	5	3
Home Furniture	2	3	1
Eat & Drink	9	17	5
Drug Stores	0	1	0
Liquor	1	2	0
Books	1	2	0
Jewelry	0	2	3
Florists	0	2	2
Misc. Retail	4	9	7
Personal Service	2	10	6
Amusement	0	3	1
	Low	Medium	High
Total	25	71	36
	Low	Medium	High
Percentage	18.9%	53.8%	27.3%

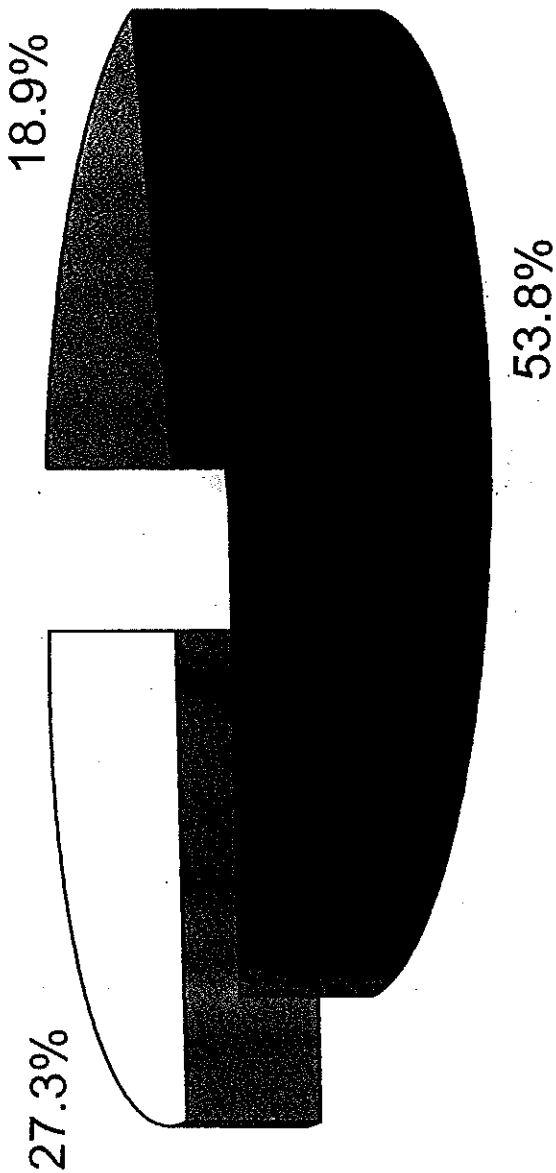
(Table 5-1)

Business Cluster Analysis



Business Types

Business Cluster Analysis by Percentage



■ Low ■ Medium □ High

Sales Gap Analysis

	SIC 54	SIC 55	SIC 56	SIC 57
	(Food Stores)	(Auto Service)	(Apparel & Accessories)	(Home Furnishings)
Average Total Potential Sales for Middletown	\$51,161,806.67	\$19,438,858.00	\$30,781,351.33	\$26,336,576.67
Actual Sales in Middletown	\$12,338,370.00	\$10,284,000.00	\$17,468,125.00	\$19,648,509.00
Sales Gap	\$38,823,436.67	\$9,154,858.00	\$13,313,226.33	\$6,688,067.67

(Table 5-2)

	SIC 58	SIC 59	SIC 72
	(Eating & Drinking)	(Misc. Retail)	(Personal Services)
Average Total Potential Sales for Middletown	\$33,154,607.00	\$50,703,738.33	\$9,354,917.67
Actual Sales in Middletown	\$19,938,338.00	\$68,941,464.00	\$7,552,000.00
Sales Gap	\$13,216,269.00	-\$18,237,725.67	\$1,802,917.67

(Table 5-2 cont.)

Sources of Information

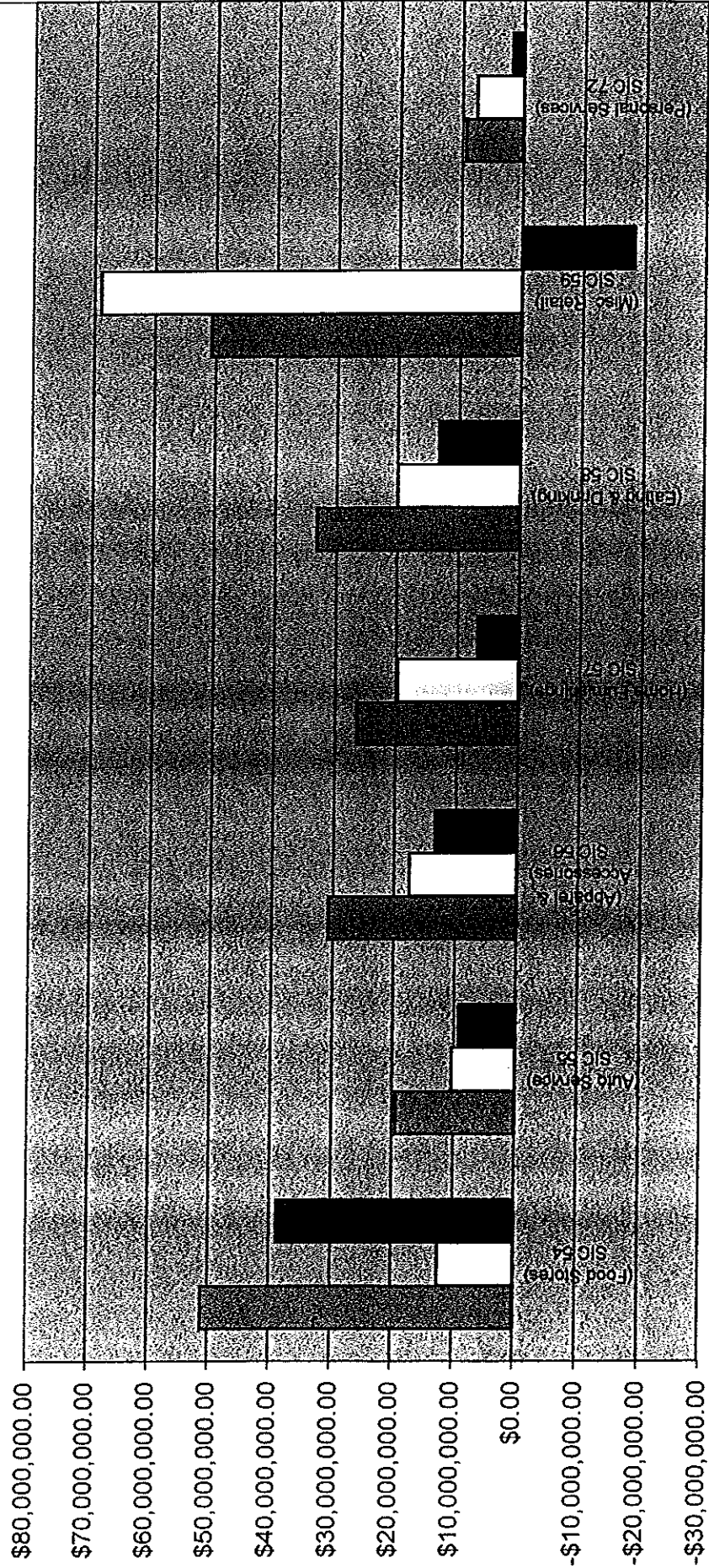
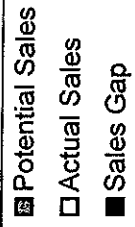
Potential Sales: 1996 – 1997 Consumer Expenditure Survey

Actual Sales: 1998 State of Connecticut Department of Revenue

1992 Census of Retail Trade

1992 Census of Service Industries

Sales Gap Analysis



Standard Industrial Class Groups

Consumer Intercept Survey Analysis Overview

Age

Age	No age Given	Under 20	20 to 29	30 to 39	40 to 49	50 and over
Total	4	64	54	19	27	32
	No age Given	Under 20	20 to 29	30 to 39	40 to 49	50 and over
Percentage	2.0%	32.0%	27.0%	9.5%	13.5%	16.0%

(Table 5-3)

Gender

Gender	No Info Given	Male	Female
Total	6	86	108
	No Info Given	Male	Female
Percentage	3.0%	43.0%	54.0%

(Table 5-4)

Residence

What Community	Middletown Residents	In State Non-Middletown Residents	Out Of State Residents
Total	128	63	8
	Middletown Residents	In State Non-Middletown Residents	Out Of State Residents
Percentage	64.3%	31.7%	4.0%

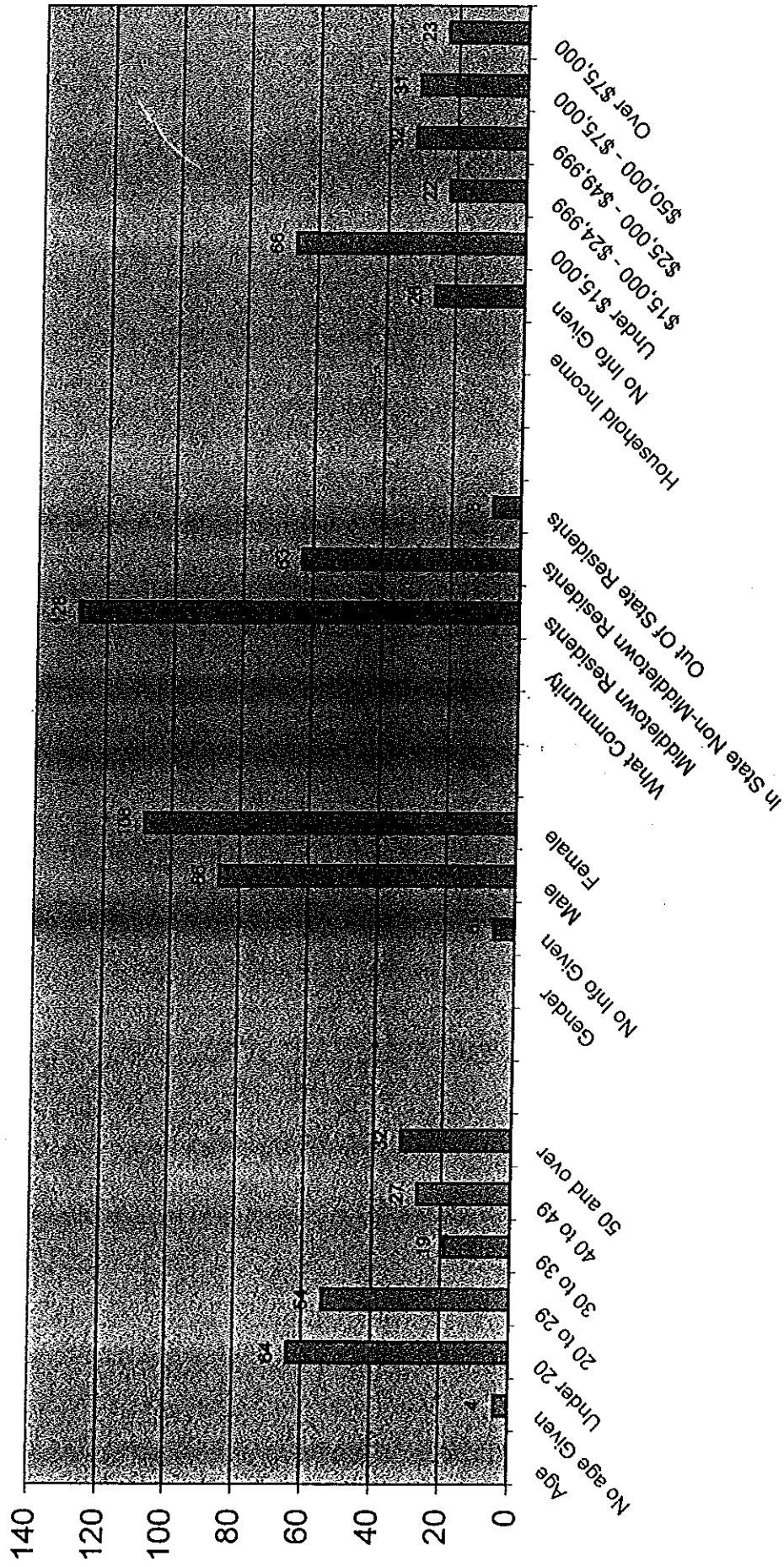
(Table 5-5)

Household Income

Household Income	No Info Given	Under \$15,000	\$15,000 - \$24,999	\$25,000 - \$49,999	\$50,000 - \$75,000	Over \$75,000
Total	26	66	22	32	31	23
	No Info Given	Under \$15,000	\$15,000 - \$24,999	\$25,000 - \$49,999	\$50,000 - \$75,000	Over \$75,000
Percentage	13.0%	33.0%	11.0%	16.0%	15.5%	11.5%

(Table 5-6)

Consumer Intercept Survey Analysis Overview

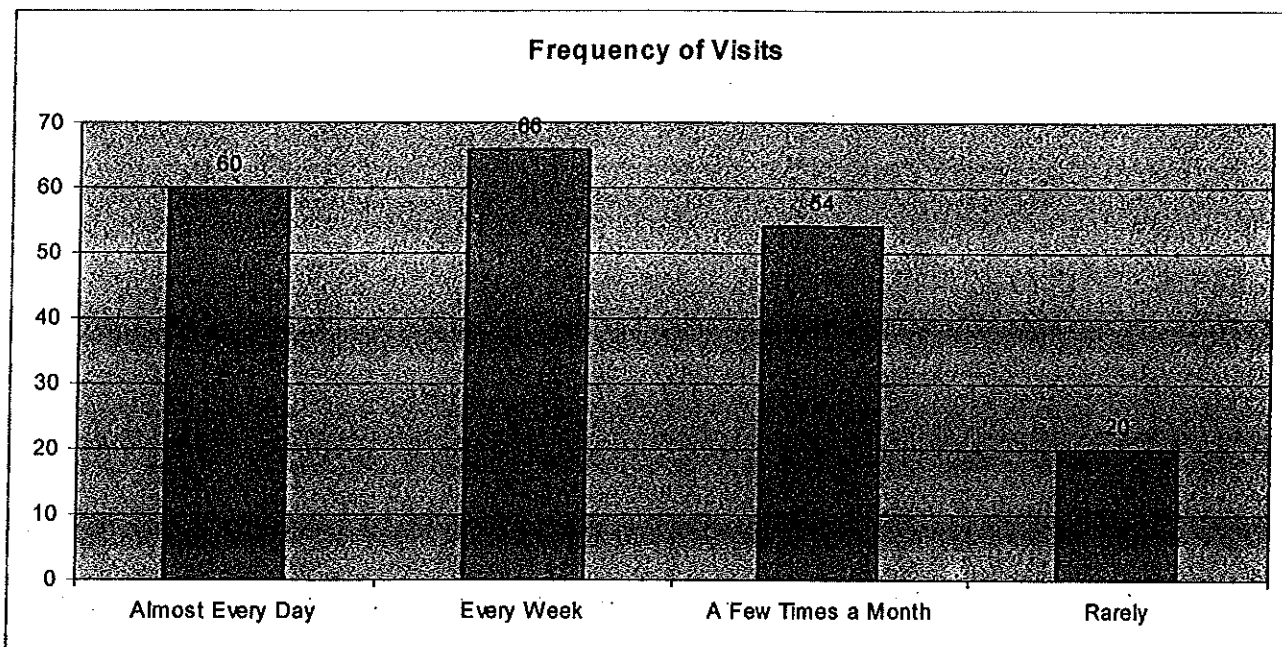


Age - Gender - Residence - Household Income

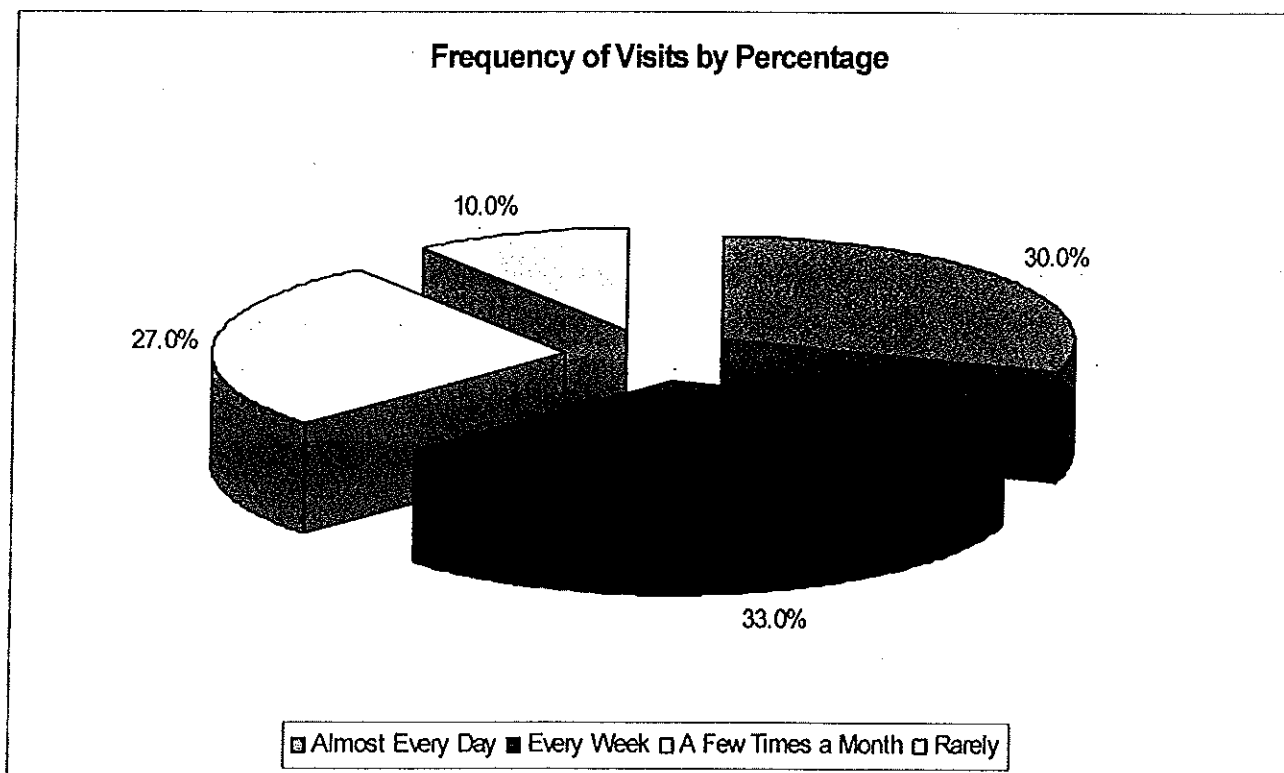
Consumer Intercept Survey Frequency of Visits

	Almost Every Day	Every Week	A Few Times a Month	Rarely
Total	60	66	54	20
Percentage	30.0%	33.0%	27.0%	10.0%

(Table 5-7)



(Chart 5-5)



(Chart 5-6)

Consumer Intercept Survey Business Types Visited

	Men's Clothing	Children's Clothing	Women's Clothing	Shoes	Sporting Goods
Total	46	13	25	48	26
	Men's Clothing	Children's Clothing	Women's Clothing	Shoes	Sporting Goods
Percentage	5.6%	1.6%	3.0%	5.8%	3.2%

(Table 5-8)

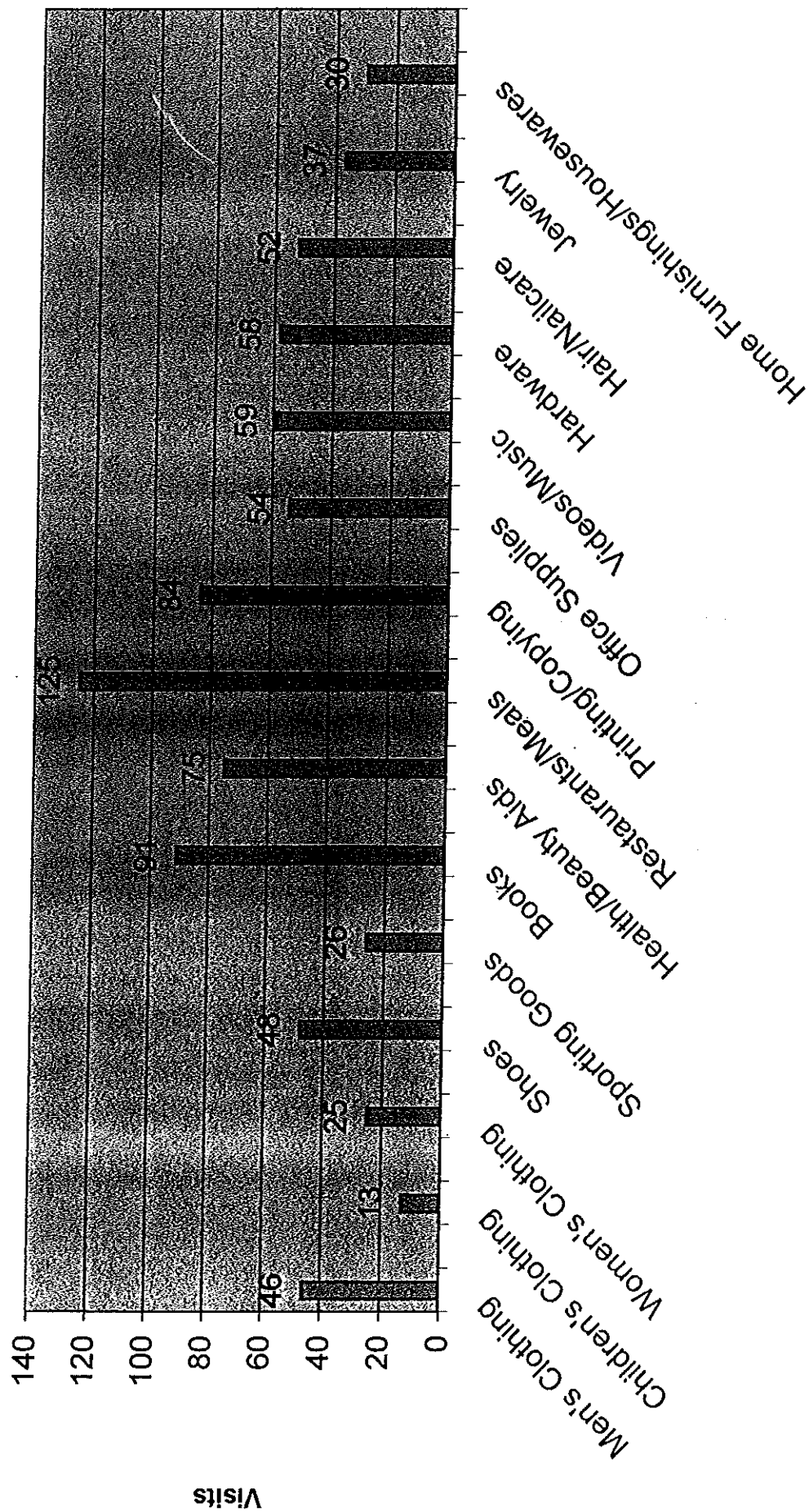
	Books	Health/Beauty Aids	Restaurants/Meals	Printing/Copying	Office Supplies
Total	91	75	125	84	54
	Books	Health/Beauty Aids	Restaurants/Meals	Printing/Copying	Office Supplies
Percentage	11.1%	9.1%	15.2%	10.2%	6.6%

(Table 5-8 cont.)

	Videos/Music	Hardware	Hair/Nailcare	Jewelry	Home Furnishings/Housewares
Total	59	58	52	37	30
	Videos/Music	Hardware	Hair/Nailcare	Jewelry	Home Furnishings/Housewares
Percentage	7.2%	7.0%	6.3%	4.5%	3.6%

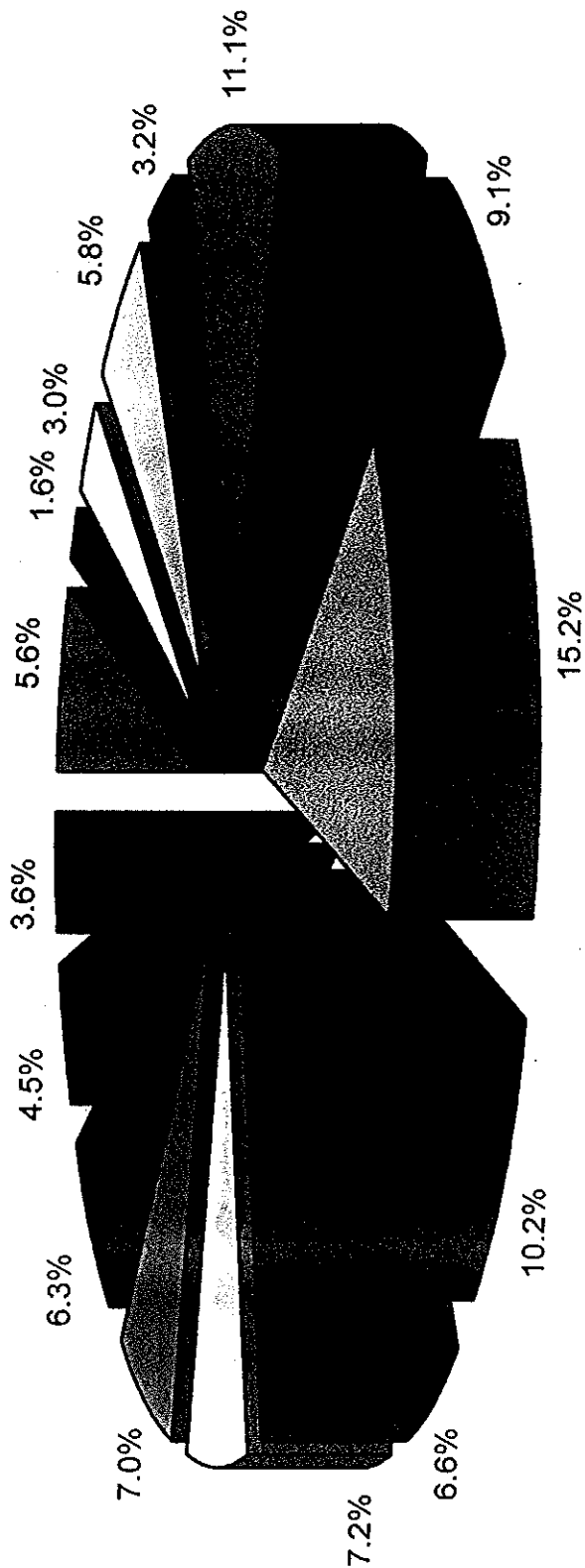
(Table 5-8 cont.)

Business Types Visited



Business Types

Business Types Visited by Percentage

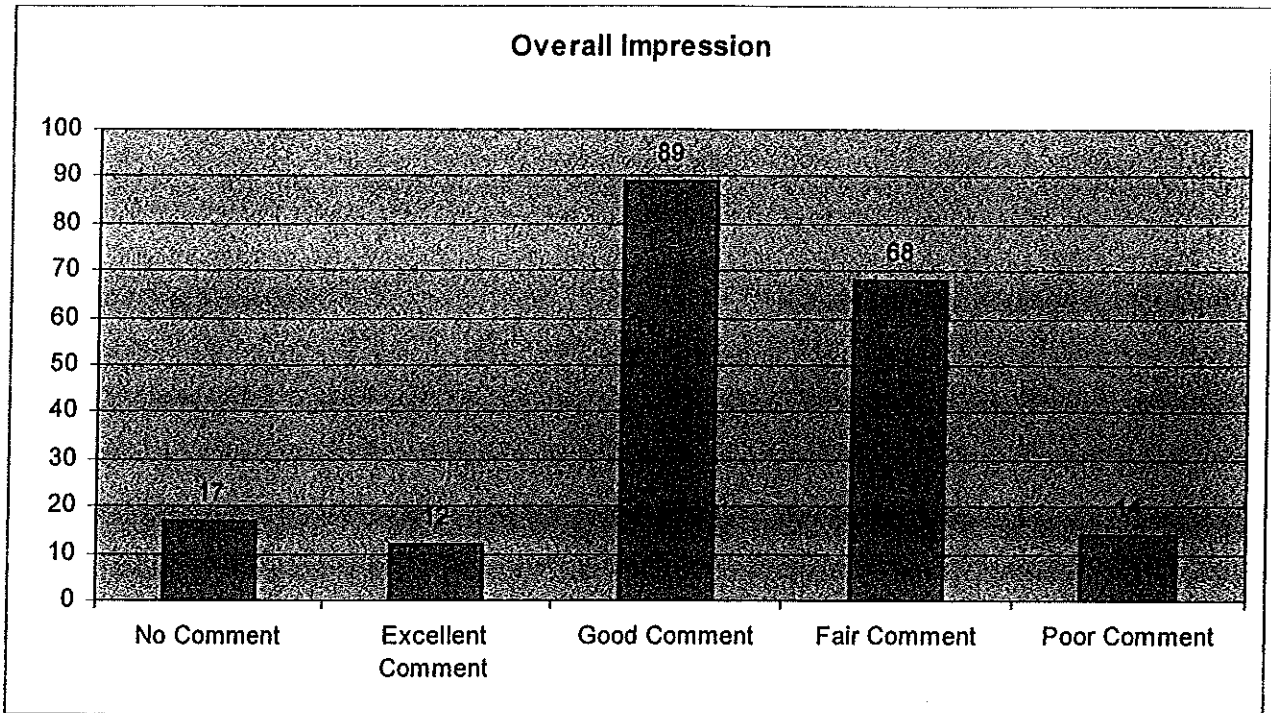


<input checked="" type="checkbox"/> Men's Clothing	<input checked="" type="checkbox"/> Children's Clothing	<input checked="" type="checkbox"/> Women's Clothing
<input checked="" type="checkbox"/> Shoes	<input checked="" type="checkbox"/> Sporting Goods	<input checked="" type="checkbox"/> Books
<input checked="" type="checkbox"/> Health/Beauty Aids	<input checked="" type="checkbox"/> Restaurants/Meals	<input checked="" type="checkbox"/> Printing/Copying
<input checked="" type="checkbox"/> Office Supplies	<input checked="" type="checkbox"/> Videos/Music	<input checked="" type="checkbox"/> Hardware
<input checked="" type="checkbox"/> Hair/Nailcare	<input checked="" type="checkbox"/> Jewelry	<input checked="" type="checkbox"/> Home Furnishings/Housewares

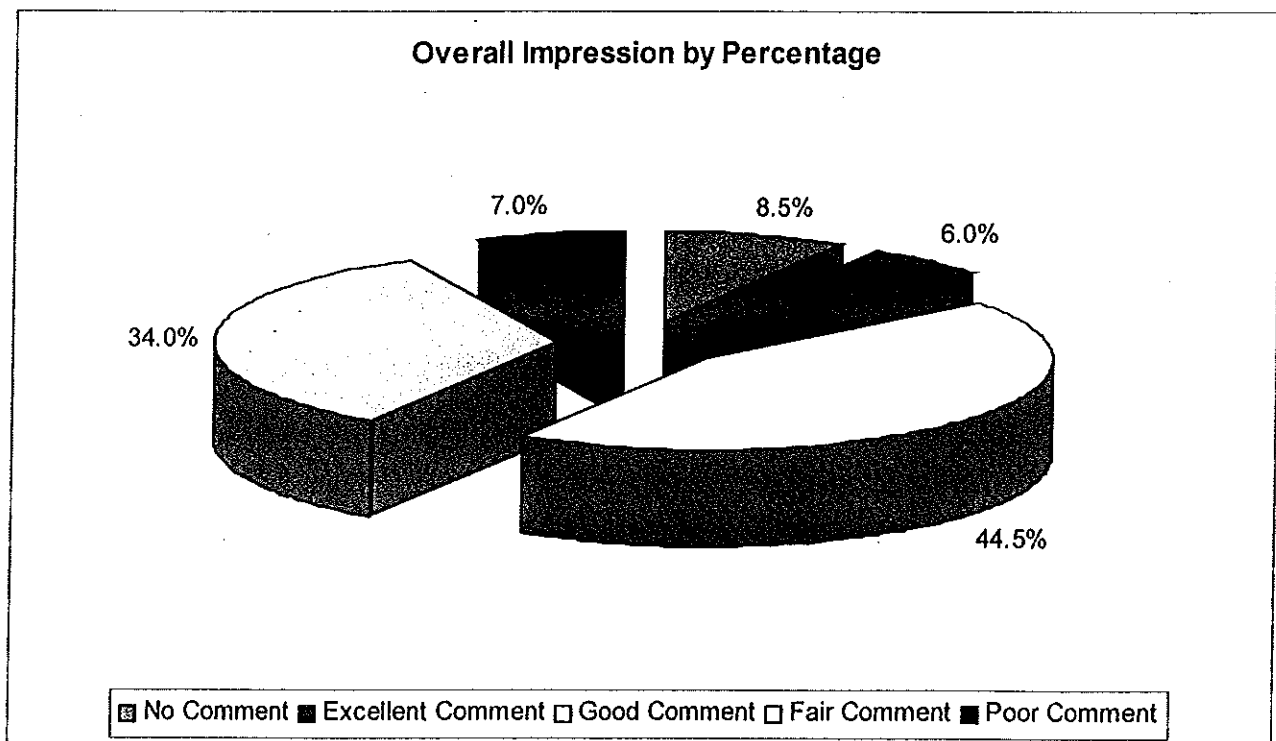
Consumer Intercept Survey Overall Impression

	No Comment	Excellent Comment	Good Comment	Fair Comment	Poor Comment
Total	17	12	89	68	14
	No Comment	Excellent Comment	Good Comment	Fair Comment	Poor Comment
Percentage	8.5%	6.0%	44.5%	34.0%	7.0%

(Table 5-9)



(Chart 5-9)



(Chart 5-10)

Consumer Intercept Survey New Business Types Requested

Preferred New Business	Movie Theater	Restaurants	Clothing Stores	Book Stores
Totals	57	32	28	15

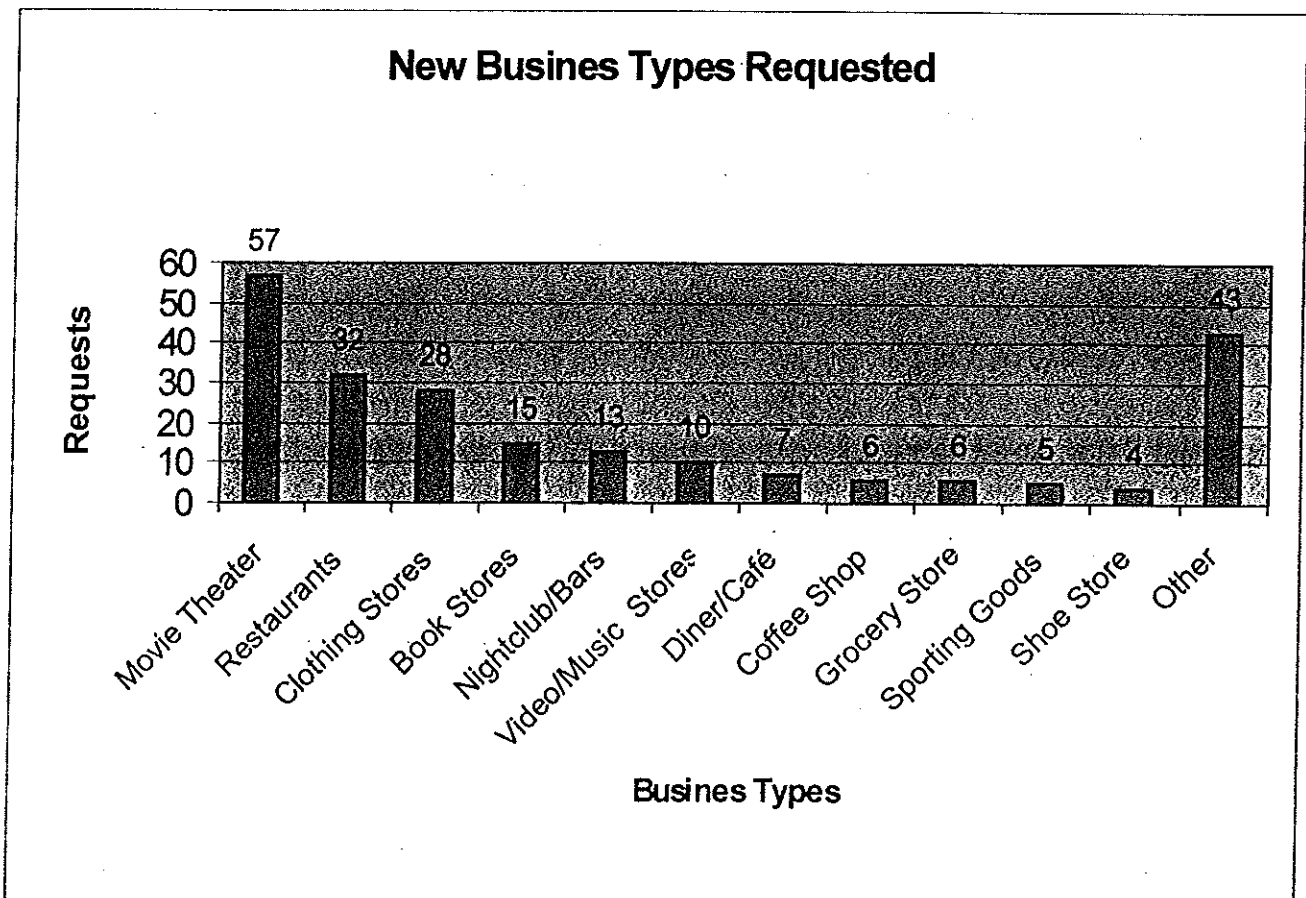
(Table 5-10)

Preferred New Business	Nightclub/Bars	Video/Music Stores	Diner/Cafe	Coffee Shop
Totals	13	10	7	6

(Table 5-10 cont.)

Preferred New Business	Grocery Store	Sporting Goods	Shoe Store	Other
Totals	6	5	4	43

(Table 5-10 cont.)



(Chart 5-11)

Conclusions and Recommendations

Demographic data (appendix A) indicates Middletown's population is essentially stable, with a projected growth from 1998-2003 of around 2.0%. The median age is slightly younger than that of the cities and towns in the surrounding county and educational attainment matches state averages. Being one of the larger towns in the area, it is not surprising that the poverty rate of approximately 7.0% is slightly higher than that of the state overall and not quite double that of the county average. Consequently per capita income lags behind both the county and state.

As determined by the *Business Cluster Analysis*, Main Street in Middletown is fairly well represented across the various Standard Industrial Classification (SIC) categories, with some exceptions. Although eating and drinking establishments appear to be prevalent, stores that sell food products for home consumption appear to be in comparably short supply. Other notable absences or under representations include major sporting goods, video rental, drug, music and personal services stores.

The majority of existing businesses have price points that fall into the medium range, with slightly more at the high end than low. However, across three major categories including apparel and accessories, home furnishings and eating and drinking, the low end is represented more in comparison to the high end. Although, as above, the medium price range is most predominant.

The *Sales Gap Analysis* indicates that Main Street can clearly support more business. Notable market gaps are in the food for home category as discussed above, which actually appears to be very underserved. Most other categories appear to have greater potential as well, including apparel and accessories and home furnishings. Although on paper downtown Middletown would appear to have an abundance of eating and drinking establishments the analysis indicates more could be sustained. A smaller area that appears to be underserved also is personal services, a category that might often be overlooked as compared to typical retail businesses.

Finally, in regards to miscellaneous retail, this is the one category that, according to the *Sales Gap Analysis*, may be saturated. Judging by our walkthrough of the downtown area, there does appear to be a relatively high number of businesses that fall under this classification. However, as noted in the limitations section, the existing raw data may be incomplete or possibly inaccurate. In this case potential sales as determined by the *Consumer Expenditure Survey* are most likely artificially low, as the survey did not break down miscellaneous retail under one category, rather the figures had to be extrapolated.

According to the *Consumer Intercept Survey* more than half the visitors to Main Street are under the age of thirty. This figure is likely influenced by the numbers

of college students frequenting the downtown area from Wesleyan. This conclusion appears to be backed up by the household income, which shows a third under \$15,000. As might be expected, the majority of visitors are from Middletown, including the college students that consider it their home.

Main Street appears to draw a lot of repeat visitors with almost two thirds stopping downtown weekly, if not almost every day. When they do frequent the area, a good majority go to restaurants, purchase books or health and beauty aids or acquires services such as printing and copying. Overall impressions of the downtown area by survey participants are generally favorable with the majority having good comments although a significant amount had a "fair" impression.

Perhaps most telling is the types of new businesses visitors would like to see. A movie theater topped the list and apparently that need has recently been satisfied. Respondents also wanted more restaurants, clothing, and bookstores.

Given the concluding information previously noted and the fact that Main Street is anchored by Wesleyan University and businesses such as Middlesex Hospital our primary recommendation would be that the organization Main Street Middletown Inc. should first and foremost concentrate on taking advantage of these distinct markets. Thus their recruitment plans should include businesses that would appeal to those demographics including higher end eating and drinking establishments, ethnic and late night restaurants, bookstores, cafes, clothing stores and video rentals.

Specifically, a smaller combination bookstore and café in the mold of a Barnes and Noble / Starbucks would possibly work as might a late night diner and ice cream parlor. All of these types of businesses along, with other restaurants in general, should also benefit from the increased visits to downtown from the new movie theater. Apparel and accessory stores that appeal to the younger crowd should be recruited, for example a vintage clothing outlet or some other specialty clothier to complement Bob's. These same types of businesses, and other specialty retail outlets would also likely appeal to the higher income lunchtime crowd employed by the area insurance companies.

A video store such as Blockbuster or Tommy K's should do well given the apparent absence of a major chain from the downtown area. Neither one of these chains seems to be afraid of the competition as evidenced by the town of Guilford supporting both within less than a mile of each other. Similarly Main Street could most likely support and benefit from a major supermarket and drug store chain, which would serve as business anchors.

Limitations

As in any analysis, the findings reflect the accuracy and completeness of the original data. In the case of this report the various calculations may be affected by the following:

The Main Street Middletown business cluster survey was originally conducted a year ago, in July of 1998, and may not be completely up to date

Price point ratings for the *Business Cluster Analysis* can sometimes be subjective

Some demographic information used was based on the latest available figures of 1992 US Census.

The SIC categories covered by the *Sales Gap Analysis* was limited by the breakout of expected sales by the 1997 *Consumer Expenditure Survey*.

Although the 1998 CT Retail Sales figures were used for most calculations, certain SIC categories were not covered and actual sales figures had to be obtained from the earlier 1992 *Economic Census*

The *Consumer Intercept Survey* was somewhat limited (200 surveyed) and contained a relatively high proportion of Wesleyan students

Appendices

Appendix A Town Profile, Middletown, CT

Appendix B 1990 US Census Data

Appendix C 1996-1997 Consumer Expenditure Surveys

Appendix D 1998 State of CT Retail Sales by Town, Type of Business

Appendix E 1992 Census of Retail Trade- Geographic Area Series

Appendix F 1992 Census of Service Industries-Geographic Area Series

Appendix G Business Cluster Analysis

Appendix H Sales Gap Analysis

Appendix I Consumer Intercept Survey